

Court Finds Plaintiffs Failed to Sufficiently Plead Trade Secrets' Economic Value

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In *Plastronics Socket Partners, Ltd. v. Highrel, Inc.*, a court in the District of Arizona granted the defendants' motion to dismiss theft of trade secrets claims, in part, because the plaintiffs' amended complaint failed to plead facts sufficient to demonstrate that the information met the definition of a trade secret under federal and state law. Specifically, Plastronics failed to sufficiently plead what economic value it derived from the purported secrets.

Plastronics, a company that creates parts for the semiconductor industry, sued two of its former employees, including its former Chief Technology Officer, and the competitor business that the two employees joined after they left Plastronics. Plastronics alleged that the two individual defendants misappropriated the company's trade secrets, in violation of the federal Defend Trade Secrets Act (DTSA) and the Arizona Uniform Trade Secrets Act (AUTSA). In order for information to meet the definition of a trade secret so that it may be protected under the DTSA and the AUTSA, the information must derive independent economic value from not being known or readily ascertainable by the public.

Although the amended complaint contained general allegations that Plastronics' trade secrets were valuable because they were not known or accessible by the public, the court found that these allegations were merely a recital of the elements of the causes of action and that the pleading was devoid of facts that explain exactly how the information derived economic value from not being generally known. Thus, the court granted the defendants' motion to dismiss, holding that Plastronics' amended complaint failed to state claims for misappropriation of trade secrets under the DTSA and the AUTSA because the information did not meet the definition of a trade secret.

TIP: Companies need to be aware of the legal definitions of a trade secret and to be able to articulate all facets of that definition in their pleadings, including facts that show precisely how and why that non-public and confidential information provides them with independent economic benefit.

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Author

[Steven Grimes](#)

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